

Message Text

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43

ACTION COME-00

INFO OCT-01 EUR-12 NEA-10 ISO-00 EB-07 TRSE-00 OPIC-03

AID-05 FEA-01 CIAE-00 INR-07 NSAE-00 /046 W

----- 040968

R 121500Z AUG 75

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 3820

INFO AMCONSUL ZAGREB

AMEMBASSY BUDAPEST

AMEMBASSY KUWAIT

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY TRIPOLI

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COMMERCE FOR MEPD

E.O. 11652: N/A

TAGS: BEXP, ENRG, YO

SUBJ: YUGOSLAV PIPELINE DEVELOPMENTS

REF : ZAGREB 627

1. DIRECTOR OF NAFTAGAS REFINING AND PETROCHEMICAL DIVISION
BURIC CONFIRMED TO COMMERCIAL ATTACHE THAT YUGOSLAVS HAVE
REACHED FINAL AGREEMENT WITH KUWAIT FOR \$125 MILLION CREDIT,
MOSTLY FOR PIPE. BURIC SERVES AS NAFTAGAS REPRESENTATIVE TO
YUGOSLAV PIPELINE CONSORTIUM.

2. BURIC ASSERTED THAT AGREEMENT WITH KUWAIT IS COMPLETED \$500
MILLION FINANCING PACKAGE WHICH "ONLY LACKED A FEW SIGNATURES"
AND WOULD BE SUFFICIENT TO COVER ENTIRE COST OF PIPELINE. WHEN
EMBOFF NOTED THAT BROWN AND ROOT, AMONG OTHERS, HAD PREDICTED
\$600-700 MILLION IN TOTAL COSTS, BURIC REPLIED THAT WESTERN FIRMS
HAD GROSSLY OVER-ESTIMATED LOCAL COSTS. HE MENTIONED, FOR EXAMPLE,
THAT YUGOSLAV LEGISLATION ASSURED RIGHT OF WAY AT ROCK-BOTTOM
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PRICE.

3. BURIC CONFIRMED THAT FRENCH FIRM OTP HAS RECEIVED CONTRACT FOR ENGINEERING SERVICES AND EXCLUDED BROWN AND ROOT OR OTHER FOREIGN ENGINEERING SERVICES AND EXCLUDED BROWN AND ROOT OR OTHER FOREIGN ENGINEERING FIRMS FROM ANY ENGINEERING WORK. HE SAID HE HAD BEEN IMPRESSED BY BROWN AND ROOT PRESENTATION AND HAD PERSONALLY COMPARED US FIRM'S OFFER WITH OTP BID. HE DISCOVERED THAT OTP WAS OFFERING AS MUCH OR MORE AS BROWN AND ROOT AND AS FAR LOWER PRICE. HE DISCOUNTED NEED FOR MANAGEMENT UMBRELLA WHICH BROWN AND ROOT HAD PROPOSED AT ADDITIONAL COST.

4. IN REGARD TO EQUIPMENT NEEDS BURIC SAID MUCH OF THE SUPPLY, INCLUDING PIPE PROCUREMENT LIMITED TO ARAB SOURCES, WOULD BE TIED TO FOREIGN FINANCING ARRANGEMENTS OR AVAILABLE FROM YUGOSLAV PRODUCTION. HE DID NOT EXPECT THAT US EQUIPMENT WOULD PARTICULARLY BE NEEDED BUT POINTED OUT THAT COMPLETE EQUIPMENT PBDS HAVE NOT BEEN ESTABLISHED AND THAT US FIRMS, OF COURSE, COULD COMPETE FOR ANY EQUIPMENT COVERED BY IBRD. FINANCING.

5. THE BEST PROSPECTS FOR AMERICAN SUPPLIERS AND SERVICES IN CONNECTION WITH THE PIPELINE PROJECT APPEAR TO US AT THIS TIME TO LIE IN THREE AREAS: (A) LEASING OF PIPELINE CONSTRUCTION EQUIPMENT, (B) SALE OF SOPHISTICATED CONTROL, MONITORING AND TELECOMMUNICATIONS EQUIPMENT, (C) LARGE CAPACITY PIPELINE PUMPING EQUIPMENT. SEE ZAGREB A-60 FOR DETAILS AND SUGGESTIONS AS TO HOW INTERESTED AND QUALIFIED AMERICAN FIRMS MIGHT GAIN ENTRY TO THE MARKET.

SILBERMAN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, PETROLEUM PIPELINES, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 12 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BELGRA04222
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750278-0581
From: BELGRADE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750858/aaaabyqd.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 ZAGREB 627
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 09 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 MAY 2003 by CunninFX>; APPROVED <01 OCT 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: YUGOSLAV PIPELINE DEVELOPMENTS
TAGS: BEXP, ENRG, YO, CZ, HU, KU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006